



EUROPEAN METALS

EUROPEAN METALS HOLDINGS LIMITED

ARBN 154 618 989

INTERIM FINANCIAL REPORT 31 DECEMBER 2016

Note: The information contained in this condensed report is to be read in conjunction with European Metals Holding Limited's 2016 annual report and any announcements made by the company during the half-year period ended 31 December 2016

European Metals Holdings Limited
ABRN 154 618 989
INTERIM FINANCIAL REPORT 31 DECEMBER 2016

CORPORATE DIRECTORY

Directors

Mr Keith Coughlan	Managing Director, CEO
Mr David Reeves	Non-Executive Chairman
Dr Pavel Reichl	Non-Executive Director
Mr Kiran Morzaria	Non-Executive Director

Company Secretary

Ms Julia Beckett

Registered Office in Australia

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Email www.europeanmet.com

Registered Office in Czech Republic

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602 000 Brno
CZECH REPUBLIC
Telephone +420 732 671 666

Registered Address and Place of Incorporation

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Woodbourne Hall
PO Box 3162
Road Town
Tortola VG1 110
BRITISH VIRGIN ISLANDS

Nominated Advisor & Broker

Beaumont Cornish
2nd Floor, Bowman House
29 Wilson Street
LONDON EC2M 2SJ
UNITED KINGDOM

Share register

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172 St Georges Terrace
Perth WA 6000
Telephone 08 9323 2000
Facsimile 08 9323 2033

UK depository

Computershare Investor Services plc
The Pavilions
Bridgewater Road
BRISTOL BS99 6ZZ
UNITED KINGDOM

Reporting Accountants (UK)

Chapman Davis LLP
2 Chapel Court
LONDON SE1 1HH
UNITED KINGDOM

Auditor

Stantons International Audit and Consulting Pty Ltd
Level 2, 1 Walker Avenue
West Perth WA 6005
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Securities Exchange Listing -Australia

Australian Securities Exchange Limited
Level 40 Central Park
152-158 St Georges Terrace
Perth, WA 6000

Securities Exchange Listing – United Kingdom

London Stock Exchange plc
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UNITED KINGDOM

ASX Code: EMH

AIM Code: EMH

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DIRECTORS' REPORT

Your Directors submit the financial report of the consolidated group for the half year ended 31 December 2016.

Directors

The names of the directors who held office during or since the end of the half-year.

Mr Keith Coughlan	Managing Director, CEO	Appointed 6 September 2013
Mr David Reeves	Non-Executive Chairman	Appointed 6 March 2014
Dr Pavel Reichl	Non-Executive Director	Appointed 6 March 2014
Mr Kiran Morzaria	Non-Executive Director	Appointed 10 December 2015

Results of Operations

The consolidated loss for the half year ended 31 December 2016 amounted to \$3,164,185 (2015: \$1,310,889 loss).

Review of Operations

During the period the Company focused on advancing the Cinovec project in Czech Republic.

Highlights in the period include:

Project Development

- Project development for the period was centered around a significant drilling programme embarked on by the Company. There were numerous updates to this programme released to the market during the period. Overall, results from the programme either confirmed or exceeding expectations with respect of both lithium content and width of mineralisation.
- This drilling programme provided important data to the Company's Preliminary Feasibility Study which was ongoing throughout the period. The Company has released updates with regards to this study and is anticipating its completion at the end of March 2017.
- The Company appointed Ausenco Limited, and Hatch Ltd as the Lead Engineers to the Pre-Feasibility Study.
- During the half year, the Company announced a significant reduction of pre-production capital costs based on a review of scoping study and outstanding recoveries from test work completed.
- The Company announced a new exploration license, Cinovec III was granted. The license not only covers a small area above the Cinovec deposit itself along the Czech-German border, but also gives the Company exclusive rights to explore for potential deep seated lithium ore East of the Cinovec deposit.
- On 22 November 2016, the Company announced a significant increase in the indicated resource at Cinovec. This upgrade was a result of the drilling programme to that point and increased the indicated resource by approximately 420%.
- On 13 December 2016, the Company announced the successful manufacture of >99.5% pure lithium carbonate using an industry proven, sodium sulphate roast-based flow-sheet from mica-concentrate from the Cinovec Project.

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DIRECTORS' REPORT

Significant change in state of affairs

- On 7 October 2016, 500,000 warrants were exercised at the price of \$0.14 per CDI to raise \$70,000.
- On 17 October 2016, 2,000,000 listed options were exercised and the Company received a total of \$400,000.
- On 1 November 2016, pursuant to the terms and conditions, 5,000,000 Class B Performance Shares in the Company have been automatically redeemed by the Company for a sum of \$0.000001 per Class B Performance Share. These performance shares were issued by the Company on 12 March 2014 as part of the consideration for the acquisition of European Metals (UK) Ltd as approved by Shareholders at the General Meeting held on 20 February 2014. These performance shares are automatically redeemed due to the required milestone not being achieved.
- On 22 November 2016, 500,000 were exercised at the price of \$0.14 per CDI to raise \$70,000.
- On 24 November 2016, the Company issued 5,000,000 CDIs to Rare Earth Minerals Plc at an issue price of \$0.52 per CDI to raise \$2,600,000 and 5,000,000 Class B performance shares were issued to the original vendors of the Cinovec Project in replacement of the Class B performance shares issued to them in 2014 as approved by Shareholders at Annual General Meeting held 18 November 2016.

Significant events after the reporting date

- On 5 January 2017, Geomet entered into an agreement to purchase a land in Czech for an amount of \$267,916 (CZK 5,184,734).
- The Company announced the completion of the drilling programme and the appointment of Mr Richard Pavlik as the Country Manager.
- The Cinovec South Resource was added to the Czech State resource register in early January 2017. This is the first step in the process for the granting of a mining permit.
- The Company announced a further significant upgrade in the Cinovec resource.

Auditor's Independence Declaration

The auditor's independence declaration for the half year ended 31 December 2016 has been received and can be found on page 5 of the financial report.

This report of the Directors is signed in accordance with a resolution of the Board of Directors.



Keith Coughlan
MANAGING DIRECTOR

16 March 2017

16 March 2017

Board of Directors
European Metals Holdings Limited
Suite 12, Level 1
11 Ventnor Avenue
WEST PERTH WA 6005

Dear Sirs

RE: EUROPEAN METALS HOLDINGS LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of European Metals Holdings Limited.

As Audit Director for the review of the financial statements of European Metals Holdings Limited for the six months ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)



Samir R Tirodkar
Director

European Metals Holdings Limited
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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Note	31 December 2016 \$	31 December 2015 \$
Revenue – Interest income		8,484	6,645
Other Income		852	23,291
Professional fees		(98,704)	(255,832)
Audit and compliance fees		(15,066)	(15,086)
Advertising and promotion		(84,146)	-
Share based payment expense	5	(2,671,444)	(557,246)
Depreciation		(594)	(959)
Employee benefits		(142,285)	(109,500)
Travel and accommodation		(36,380)	(12,175)
Share registry fees		(60,317)	(278,023)
Insurance		(7,737)	(11,546)
Rent and utilities		(41,457)	(22,797)
Other administration expenses		(15,391)	(77,661)
Loss before income tax		(3,164,185)	(1,310,889)
Income tax expense		-	-
Loss for the period		(3,164,185)	(1,310,889)
Other comprehensive income			
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss – exchange differences on translating foreign operations		(82,527)	738
Other comprehensive (loss) / income for the period, net of tax		(82,527)	738
Total comprehensive loss for the period		(3,246,712)	(1,310,151)
Net Loss attributable to:			
- members of the parent entity		(3,164,185)	(1,310,889)
		(3,164,185)	(1,310,889)
Total Comprehensive loss attributable to:			
- members of the parent entity		(3,246,712)	(1,310,151)
		(3,246,712)	(1,310,151)
Basic and diluted loss per CDI	3	(0.03)	(0.02)

The above statement should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	31 December 2016 \$	30 June 2016 \$
CURRENT ASSETS			
Cash and cash equivalents		3,372,270	3,134,661
Trade and other receivables		84,140	94,591
Other assets		32,399	79,915
TOTAL CURRENT ASSETS		<u>3,488,809</u>	<u>3,309,167</u>
NON-CURRENT ASSETS			
Exploration and evaluation expenditure		7,596,098	4,940,613
Property, plant and equipment		47,982	-
Intangible assets		1,952	2,599
TOTAL NON-CURRENT ASSETS		<u>7,646,032</u>	<u>4,943,212</u>
TOTAL ASSETS		<u>11,134,841</u>	<u>8,252,379</u>
CURRENT LIABILITIES			
Trade and other payables		621,270	293,890
TOTAL CURRENT LIABILITIES		<u>621,270</u>	<u>293,890</u>
TOTAL LIABILITIES		<u>621,270</u>	<u>293,890</u>
NET ASSETS		<u>10,513,571</u>	<u>7,958,489</u>
EQUITY			
Issued capital	4	14,804,491	11,674,141
Reserves		3,233,464	644,547
Accumulated losses		(7,524,384)	(4,360,199)
TOTAL EQUITY		<u>10,513,571</u>	<u>7,958,489</u>

The above statement should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Issued Capital	Option and performance shares Reserves	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2015	6,788,183	97,560	125,201	(2,866,122)	4,144,822
Loss attributable to members of the Company	-	-	-	(1,310,889)	(1,310,889)
Other comprehensive income	-	-	738	-	738
Total comprehensive loss for the period	-	-	738	(1,310,889)	(1,310,151)
Transactions with owners, recognised directly in equity					
CDIs issued during the period, net of costs	1,073,164	-	-	-	1,073,164
Expired options	-	(97,560)	-	97,560	-
Share based payments	-	557,246	-	-	557,246
Balance at 31 December 2015	7,861,347	557,246	125,939	(4,079,451)	4,465,081
Balance at 1 July 2016	11,674,141	557,246	87,301	(4,360,199)	7,958,489
Loss attributable to members of the Company	-	-	-	(3,164,185)	(3,164,185)
Other comprehensive loss	-	-	(82,527)	-	(82,527)
Total comprehensive loss for the period	-	-	(82,527)	(3,164,185)	(3,246,712)
Transactions with owners, recognized directly in equity					
CDIs issued during the period, net of costs	2,590,350	-	-	-	2,590,350
Share based payments	-	2,671,444	-	-	2,671,444
Exercise of options	400,000	-	-	-	400,000
Exercise of warrants	140,000	-	-	-	140,000
Balance at 31 December 2016	14,804,491	3,228,690	4,774	(7,524,384)	10,513,571

The above statement should be read in conjunction with the accompanying notes.

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Note	31 December 2016 \$	31 December 2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(623,519)	(512,797)
Interest received		8,484	6,645
Interest paid		(15)	-
Receipts for services		-	23,291
Net cash used in operating activities		<u>(615,050)</u>	<u>(482,861)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for exploration and evaluation expenditure		(2,261,991)	(690,393)
Payments for property, plant and equipment		(15,700)	-
Net cash used in investing activities		<u>(2,277,691)</u>	<u>(690,393)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of CDI's		3,140,000	1,112,846
Capital raising cost		(9,650)	(69,682)
Net cash from financing activities		<u>3,130,350</u>	<u>1,043,164</u>
Net increase /(decrease) in cash and cash equivalents		237,609	(130,090)
Cash and cash equivalents at the beginning of the financial year		<u>3,134,661</u>	<u>889,208</u>
Cash and cash equivalents at the end of financial period		<u>3,372,270</u>	<u>759,118</u>

The above statement should be read in conjunction with the accompanying notes.

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CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 1: BASIS OF PREPARATION

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except where applicable for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2016 annual financial report for the financial year ended 30 June 2016, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Changes in accounting policies, accounting standards and interpretations

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2016. All applicable new standards and interpretations issued since 1 July 2016 have been adopted. There was no significant impact on the Group except:

Property

Freehold land and buildings are carried at their fair value (being the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset.

New and Revised Accounting Requirements Applicable to the Current Half-Year Reporting Period

The Company has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period.

The application of the new and revised Accounting Standards and Interpretations does not have a material impact on the Group.

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CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

NOTE 2: OPERATING SEGMENTS

The accounting policies used by the Group in reporting segments are in accordance with the measurement principles of Australian Accounting Standards.

The Group has identified its operating segments based on the internal reports that are provided to the Board of Directors, according to AASB 8 Operating Segments.

The Group currently has one project which takes into account each of the above mentioned aspects. The principal activities for the project are exploration of lithium, tin, tungsten and other commodities, and the development of the existing resources. The project is likely to use the same resources in future and the nature of the regulatory environment is the Czech Republic. This is expected to be the same for future projects. Accordingly, management has identified one operating segment based on the location of the projects, that being the Czech Republic.

NOTE 3: LOSS PER CDI

	31 December 2016	31 December 2015
Basic and diluted loss per CDI	(\$0.03)	(\$0.02)
Loss attributable to members of European Metals Holdings Limited	(\$3,164,185)	(\$1,310,889)
Weighted average number of CDI outstanding during the period	123,574,735	83,465,304

NOTE 4: ISSUED CAPITAL AND RESERVES

(a) Issued and paid up capital

	<u>Number</u>	<u>\$</u>
129,417,126 (30 June 2016: 121,417,126 CDIs)	129,417,126	14,804,491
Total issued capital		<u><u>14,804,491</u></u>

(b) Movements in CDIs

	<u>Date</u>	<u>Number</u>	<u>\$</u>
Balance at the beginning of the period	1 July 2015	75,144,459	6,788,183
CDI capital raising	13 August 2015	9,410,578	752,846
Issued in lieu of director fees	17 August 2015	496,725	30,000
CDI capital raising	19 October 2015	2,000,000	360,000
CDI capital raising	18 March 2016	13,000,000	1,755,000
CDI – exercised of options	20 April 2016	3,525	353
CDI – exercised of options	9 May 2016	300,000	30,000
CDI – exercised of options	19 May 2016	688,514	68,851
CDI – exercised of options	1 June 2016	1,279,372	127,937
CDI – exercised of options	8 June 2016	1,223,446	122,345
CDI – exercised of options	16 June 2016	6,045,366	604,537
CDI – exercised of options	30 June 2016	11,825,141	1,182,514
Capital raising cost		-	(148,425)
Balance at the end of the year	30 June 2016	<u><u>121,417,126</u></u>	<u><u>11,674,141</u></u>

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NOTE 4: ISSUED CAPITAL AND RESERVES (continued)

	Date	Number	\$
Balance at the beginning of the period	1 July 2016	122,417,126	11,674,141
CDI – exercise of warrants	7 October 2016	500,000	70,000
CDI – exercise of options	17 October 2016	2,000,000	400,000
CDI – exercise of warrants	22 November 2016	500,000	70,000
CDI placement	24 November 2016	5,000,000	2,600,000
Capital raising cost		-	(9,650)
Balance at the end of the period	31 December 2016	129,417,126	14,804,491

(c) Movements B Class Performance Shares

	Date	Number	\$
Balance at the beginning of the year	1 July 2015	5,000,000	-
Performance Shares lapsed	20 February 2016	(5,000,000)	-
Balance at the end of the year period	30 June 2016	-	-
Balance at the beginning of the year	1 July 2016	-	-
Performance Shares issued	24 November 2016	5,000,000	2,671,444
Balance at the end of the year period	31 December 2016	5,000,000	2,671,444

CDIs and Depositary Interests ('DIs') entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of a CDI and/or DI present at a meeting in person or by proxy, is entitled to one vote, and in a poll each share is entitled to one vote.

European Metals Holding is a company limited by shares incorporated in the British Virgin Islands with an authorised share capital, 200,000,000 no par value shares of a single class. Pursuant to the prospectus dated 26 April 2012, the company issued CDIs in July 2012. The holder of the CDIs has beneficial ownership in the underlying shares instead of legal title. In respect of CDIs, legal title and the underlying shares is held by Chess Depository Nominees Pty Ltd. Immediately prior to admission to AIM in December 2015, the Company created the DIs. In respect of DIs, legal title and the underlying shares is held by the UK Depository, Computershare Investor Services PLC.

Holders of CDIs and/or DIs have the same entitlement benefits of holding the underlying shares. Each Share in the Company confers upon the Shareholder:

- (a) the right to one vote at a meeting of the Shareholders of the Company or on any Resolution of Shareholders;
- (b) the right to an equal share in any dividend paid by the Company; and
- (c) the right to an equal share in the distribution of the surplus assets of the Company on its liquidation.

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CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4: ISSUED CAPITAL AND RESERVES (continued)

The terms of the performance shares are as follows:

The 5,000,000 B Class Performance Shares will convert in accordance with the below:

- (i) 1,000,000 B Class Performance Shares will convert into Shares and an equivalent number of CDIs upon the Company's Mineral Resource at Cinovec South and Cinovec Main being entered in the State Balance. The B Class Performance Shares shall convert into the number of Shares and equivalent number of CDIs equal to 1,000,000 multiplied by 0.5 and divided by the greater of: (A) \$0.50 per CDI; and (B) the volume weighted average price of CDIs (expressed as a decimal of \$1.00) as calculated over the 5 ASX trading days prior to the date the Mineral Resource is entered. (**Explanatory Note:** *Under Czech law a mineral resource must be registered and henceforth treated as a resource by the Czech Government before mining licenses can be granted. A mineral resource has to be calculated according to the Czech regulations, and defended in front of a committee of state certified experts;*)
- (ii) 1,000,000 B Class Performance Shares will convert into Shares and an equivalent number of CDIs upon the issuance of the preliminary mining licenses relating to the Cinovec Project. The B Class Performance Shares shall convert into the number of Shares and equivalent number of CDIs equal to 1,000,000 multiplied by 0.5 and divided by the greater of: (A) \$0.50 per CDI; and (B) the volume weighted average price of CDIs (expressed as a decimal of \$1.00) as calculated over the 5 ASX trading days prior to the date the final preliminary mining license is issued; and
- (iii) 3,000,000 B Class Performance Shares will convert into Shares and an equivalent number of CDIs upon the completing of a definitive feasibility study (**DFS**). For clarity, the DFS must be: (i) of a standard suitable to be submitted to a financial institution as the basis for lending of funds for the development and operation of mining activities contemplated in the study; (ii) capable of supporting a decision to mine on the Permits; and (iii) completed to an accuracy of +/- 15% with respect to operating and capital costs and display a pre-tax net present value of not less than US\$250,000,000. The B Class Performance Shares shall convert into the number of Shares and equivalent number of CDIs equal to 3,000,000 multiplied by 0.5 and divided by the greater of: (A) \$0.50 per CDI; and (B) the volume weighted average price of CDIs (expressed as a decimal of \$1.00) as calculated over the 5 ASX trading days prior to date of receipt of the completed DFS,

(together the **Milestones** and each a **Milestone**). For the avoidance of doubt, the number of Shares and equivalent number of CDIs which will be issued on conversion of the B Class Performance Shares will not exceed a ratio of 1 for 1.
- (iv) If the Milestone is not achieved or the Change of Control Event does not occur by the required date, then each B Class Performance Share held by a Holder will be automatically redeemed by the Company for the sum of \$0.000001 within 10 ASX trading days of non-satisfaction of the Milestone.

\$2,671,444 has been attributed to the Performance Shares.

NOTE 5: SHARE BASED PAYMENT EXPENSE

The following share-based payment arrangements existed as at 31 December 2015:

On 31 July 2015, 3,750,000 options with an exercise price 16.6 cents on or before the 17 August 2020 were granted to Directors. The issue was approved by shareholders at a General Meeting held on the 31 July 2015. The options were valued under Black and Scholes and a fair value adjustment of \$386,798 and was recognised as a share based payment in the profit and loss.

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CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5: SHARE BASED PAYMENT EXPENSE (CONTINUED)

The following share-based payment arrangements existed as at 31 December 2016:

Instruments granted are as follow:

	Grant Date	Number
i.	18 November 2016 – Class B Performance Shares (related parties)	1,336,557
ii.	18 November 2016 – Class B Performance Shares (non-related parties)	3,663,443
	Total	<u>5,000,000</u>

\$2,671,444 has been attributed to the Performance Shares.

NOTE 6: RELATED PARTY TRANSACTIONS

The related party transactions of the half-year financial report are consistent with those adopted and disclosed in the Company's 2016 annual financial report for the financial year ended 30 June 2016 except the following.

During the half year, 5,000,000 CDI were issued to Rare Minerals Plc ("REM") to raise \$2.6 million via a placement at an issue price of \$0.52 per CDI. REM is the Company's largest shareholder and a substantial holder with a 17.64% holding in the Company. Mr Kiran Morzaria is REM's Chief Executive Officer and is one of four directors on the Board of REM. He is also a Non-Executive Director of the Company.

1,336,557 Class B Performance shares were issued to KMP during the period, of which Mr Pavel Reichl entitled for 793,906 and Mr David Reeves entitled for 542,651 respectively. \$714,107 has been attributed to the Performance Shares.

NOTE 7: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 8: EVENTS SUBSEQUENT TO REPORTING DATE

On 5 January 2017, Geomet entered into an agreement to purchase a land in Czech for an amount of AUD 267,916 (CZK 5,184,734).

There have been no other significant events after the reporting date.

European Metals Holdings Limited
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DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes set out on pages 6 to 14:
 - (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001, and
 - (b) give a true and fair view of the Consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to section 303(5) of the Corporations Act 2001 and is signed for and on behalf of the Directors by:



Keith Coughlan
MANAGING DIRECTOR

16 March 2017

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
EUROPEAN METALS HOLDINGS LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of European Metals Holdings Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for European Metals Holdings Limited (the consolidated entity). The consolidated entity comprises both European Metals Holdings Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of European Metals Holdings Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of European Metals Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

Independence


In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of European Metals Holdings Limited on 16 March 2017.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of European Metals Holdings Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd


Samir R Tirodkar
Director

West Perth, Western Australia
16 March 2017